



# **INCOME TAX OFFICE MINISTRY OF FINANCE**

---

## **GUIDANCE FOR COMPLETING RETURN OF DIVIDENDS (CT2):**

**Table 1 - Analysis of distributable reserves per accounting period**

**Table 2 - Calculation of tax credit and gross assessable dividend per accounting period**

**Table 3 - Details of dividends received by shareholders**

February 2011

## NUMERICAL EXAMPLE 1

**Trading company whose retained profits prior to the year of assessment 2005/2006 were derived entirely from taxed or taxable sources of income.**

*Prior to the year of assessment 2005/2006 the chargeability of dividends did not depend on the nature of the underlying income from which they were derived.*

The information used in this numerical example is completely fictional and in no way represents an actual existing company.

Accounting period	Year of assessment	Profit for year £	Analysis of income			Dividend paid £
			Chargeable £	Non-chargeable £	Total £	
30/06/05	2005/06	25,000.00	471,200.00	117,800.00	589,000.00	100,000.00
30/06/06	2006/07	42,500.00	489,171.00	107,379.00	596,550.00	100,000.00
30/06/07	2007/08	50,000.00	490,000.00	122,500.00	612,500.00	-
30/06/08	2008/09	71,250.00	415,800.00	124,200.00	540,000.00	115,000.00
30/06/09	2009/10	82,750.00	474,165.00	104,085.00	578,250.00	75,000.00
30/06/10	2010/11	101,550.00	436,800.00	123,200.00	560,000.00	130,000.00

The company has distributable reserves/profits for the period 01/07/99 to 30/06/05 amounting to £150,000. All these retained profits/reserves are derived from taxed or taxable sources of income.

The following information, which is used in completing the return of dividends has been extracted from the table shown above.

Accounting period	Distributable profits ("D") £	Proportional income ratio ("R")	Profits/reserves derived from		Applicable corporate tax rate
			Taxed/taxable income £	Non-taxed/taxable income £	
30/06/05	25,000	80%	20,000.00	5,000	35%
30/06/06	42,500	82%	34,850.00	7,650	35%
30/06/07	50,000	80%	40,000.00	10,000	35%
30/06/08	71,250	77%	54,862.50	16,388	35%
30/06/09	82,750	82%	67,855.00	14,895	35%
30/06/10	101,550	78%	79,209.00	22,341	35%

The distributable profits ("D") are the profit for the year reported by the company.

The profits/reserves derived from taxed/taxable income calculated by:  $D \times R$

The profits/reserves derived from non-taxed/taxable income calculated by:  $D \times (100 - R)$

Further company information is as follows:

1. No dividend has been paid in the accounting period ended 30 June 2007 and therefore no dividend return is required to be filed for that year.
2. The company has 100,000 shares in issue and the shareholding structure is as follows:

Shareholder 1	40%
Shareholder 2	30%
Shareholder 3	30%

## NUMERICAL EXAMPLE 2

**Company who commenced to trade on 1 July 2002 and whose retained profits prior to the year of assessment 2005/2006 were derived from both taxed or taxable sources of income and non-taxed or non-taxable sources of income by virtue of development aid as prescribed in the Development Aid Act 1981.**

The information used in this numerical example is completely fictional and in no way represents an actual existing company.

Accounting period	Year of assessment	Profit for year £	Analysis of income			Dividend paid £
			Chargeable £	Non-chargeable £	Total £	
30/06/03	2003/04	20,000.00	225,000.00	125,000.00	350,000.00	10,000.00
30/06/04	2004/05	28,000.00	215,750.00	130,000.00	345,750.00	10,000.00
30/06/05	2005/06	34,000.00	207,250.00	140,000.00	347,250.00	8,000.00
30/06/06	2006/07	47,500.00	212,750.00	137,750.00	350,500.00	8,500.00
30/06/07	2007/08	51,250.00	212,000.00	139,250.00	351,250.00	9,700.00
30/06/08	2008/09	64,750.00	197,850.00	157,150.00	355,000.00	-
30/06/09	2009/10	86,000.00	201,150.00	160,000.00	361,150.00	20,000.00
30/06/10	2010/11	139,150.00	189,050.00	175,950.00	365,000.00	25,000.00

The following information, which is used in completing the return of dividends has been extracted from the table shown above.

Accounting period	Distributable profits ("D") £	Proportional income ratio ("R")	Profits/reserves derived from		Applicable corporate tax rate
			Taxed/taxable income £	Non-taxed/taxable income £	
30/06/03	20,000.00	64%	12,857.14	7,142.86	35%
30/06/04	28,000.00	62%	17,472.16	10,527.84	35%
30/06/05	34,000.00	60%	20,292.30	13,707.70	35%
30/06/06	47,500.00	61%	28,832.03	18,667.97	35%
30/06/07	51,250.00	60%	30,932.38	20,317.62	35%
30/06/08	64,750.00	56%	36,086.73	28,663.27	35%
30/06/09	86,000.00	56%	47,899.49	38,100.51	35%
30/06/10	139,150.00	52%	72,072.08	67,077.92	35%

The distributable profits ("D") are the profit for the year reported by the company.

The profits/reserves derived from taxed/taxable income calculated by:  $D \times R$

The profits/reserves derived from non-taxed/taxable income calculated by:  $D \times (100 - R)$

Further company information is as follows:

1. No dividend has been paid in the accounting period ended 30 June 2008 and therefore no dividend return is required to be filed for that year.
2. The company has 100,000 issued shares and the shareholding structure is as follows:

Shareholder 1	25%
Shareholder 2	25%
Shareholder 3	25%
Shareholder 4	25%

# **SAMPLE TABLES FOR NUMERICAL EXAMPLE 2**

**ACCOUNTING PERIOD 30 JUNE 2003**